

SECOND DIVISION

[G.R. No. 187307, October 14, 2020]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. DEL MORAL, INC., RESPONDENT.

DECISION

HERNANDO, J.:[*]

Challenged in this Petition is the Decision^[1] dated May 9, 2008 and Resolution^[2] dated March 26, 2009 of the Court of Appeals (CA) in CA-G.R. SP No. 98033 which affirmed the computation of just compensation by the Regional Trial Court (RTC), Urdaneta City, Pangasinan, Branch 45, sitting as a Special Agrarian Court (SAC) in Agrarian Case No. U-1505.

The Antecedents

Respondent Del Moral, Inc. (Del Moral) is a domestic family corporation and the registered owner of several parcels of land situated in different municipalities in Pangasinan with a total area of 125.2717 hectares. These parcels of land were originally tobacco farmlands. 102.9766 hectares of Del Moral's property were later placed under the coverage of the agrarian reform program under Presidential Decree (P.D.) No. 27.^[3]

On July 17, 1987, Executive Order (E.O.) No. 228^[4] was issued which (1) provided for the full land ownership to qualified farmer-beneficiaries covered by P.D. No. 27; (2) determined the value of remaining unvalued rice and com lands subject to P.D. No. 27; and (3) provided for the manner of payment by the farmer beneficiary and mode of compensation to the landowner. Pursuant to Section 2 of E.O. No. 228, the Department of Agrarian Reform (DAR) computed the just compensation to be paid to Del Moral in the total amount of P342,917.81.

In 1992, petitioner Land Bank of the Philippines (LBP) informed Del Moral of the approval of its monetary claim pertaining to the 102.9766 hectares of farmlands which were placed under the coverage of P.D. No. 27. The LBP assigned the original total valuation in the amount of P342,917.81 or roughly P3,329.30 per hectare as just compensation to Del Moral. However, Del Moral found the assigned valuation made by the DAR and the LBP to be grossly inadequate and unreasonably low. Thus, Del Moral filed a petition on April 26, 2002 before the RTC for the proper determination of just compensation.

The RTC Ruling:

On October 16, 2006, the RTC rendered its Decision^[5] computing the just compensation based on the recent fair market value of the property, instead of using the prevailing factors at the time of the taking. The court *a quo* used the formula in DAR Administrative Order (A.O.) No. 5 (Series of 1998)^[6] and fixed the

amount of just compensation at P216,104,385.00. In addition, it awarded Del Moral P90 million as temperate damages and PhP10 million as nominal damages. The RTC also imposed legal interest on the monetary awards at the rate of six percent (6%) per *annum* to be computed from the finality of judgment until the amount is actually and fully paid.

The RTC denied^[7] both motions for reconsideration^[8] filed by the DAR and the LBP. Hence, they both filed separate petitions for review before the CA. The DAR's petition was docketed as CA-G.R. SP No. 98373 while the LBP's the appeal was docketed as CA-G.R. SP No. 98033.

DAR's Appeal:

On October 30, 2007, the CA in CA-G.R. SP No. 98373^[9] affirmed the RTC's computation for just compensation but reduced the award for temperate and nominal damages to P10 million and P1 million, respectively. The CA ratiocinated that Republic Act (R.A.) No. 6657, otherwise known as the *Comprehensive Agrarian Reform Law*, should be applied in computing just compensation because its passage into law came before the completion of Del Moral's agrarian reform process. While the expropriation proceeding for the subject properties was initiated under P.D. No. 27, the process was still incomplete considering that the just compensation has yet to be settled.

Upon denial of its motion for reconsideration,^[10] the DAR filed a Petition for Review on *Certiorari*, docketed as G.R. No. 181183, before this Court. However, on June 4, 2008, this Court denied the said petition for failure to (1) state the material date when it filed its motion for reconsideration; and (2) submit a verification of the petition, a certificate of non-forum shopping, and an affidavit of service that shows competent evidence of the affiants' identities.^[11] On October 28, 2008, this Resolution became final and executory and the corresponding entry of judgment was issued.^[12]

LBP's Appeal:

On May 9, 2008, prior to the finality of the denial of the DAR's Petition for Review before this Court, the CA issued the assailed Decision denying the LBP's appeal regarding the proper computation of just compensation. Aware of its earlier pronouncement in CA-G.R. SP No. 98373, the CA similarly affirmed the RTC's computation for just compensation and reduced the award for damages to conform to its previous ruling. The appellate court reasoned that the appeal of the LBP was practically anchored on the same issues and errors as assigned by the DAR in CA-G.R. SP No. 98373. Thus, the appellate court found no reason to depart from its previous ruling in CA-G.R. SP No. 98373, which involved the same subject matter, issues and parties, with the government represented by the DAR through the Provincial Agrarian Reform Office (PARO) in CA-G.R. SP No. 98373 and the LBP in CA-G.R. SP No. 98033.

Moreover, the CA, applying the doctrine laid down in *Land Bank of the Philippines v. Natividad*^[13] which reiterated the ruling in *Office of the President v. Court of Appeals*,^[14] held that when payment of just compensation is not effected immediately after the taking of the property, then just compensation must be computed based on the market value of the landholding prevailing at the time of

payment. Since the agrarian reform process is not yet complete upon the coverage and taking of the subject properties in 1972, the just compensation to be paid to Del Moral is yet to be settled. In fact, the just compensation had not been judicially determined until after 35 years from the time of taking. Also, even if the deposits made by the LBP for the account of the owners in the total amount of PhP 342,917.81 is to be considered as the determination of just compensation, the same cannot be considered as payment within a reasonable time as it was deposited only in 1992 or after the lapse of 20 years from the time of taking in 1972.

Unsatisfied, the LBP moved for reconsideration. However, the CA was not persuaded in its assailed Resolution dated March 26, 2009 because of the following: (1) the computation for just compensation had already been definitively resolved in CA-G.R. SP No. 98373; (2) the extreme delay in the payment of just compensation is simply unjust, inequitable, and unrealistic to compute the corresponding just compensation for the subject landholding based on its value in 1972; and (3) *Lubrica v. Land Bank of the Philippines*^[15] enunciates that in the event of long delay in the payment of just compensation, the computation must be based on the fair market value of the property prevailing at the time of payment.

Hence, the LBP filed this present Petition.

The Writ of Execution and the LBP's Motion for a Temporary Restraining Order (TRO)/Preliminary Injunction:

Meanwhile, as a result of the finality of this Court's Resolution dated October 28, 2008 in G.R. No. 181183, Del Moral filed a motion for execution on March 12, 2009. The LBP, in turn, filed its comment/opposition saying that despite being an indispensable party, it cannot be bound with the finality of the decision because it was not made a party to the appeal. The LBP even mentioned that it filed a separate appeal, docketed as CA-G.R. SP No. 98033, which was still pending before the CA at that time.

On April 24, 2009, the RTC granted the motion for execution reasoning that by the LBP's own admission, it is merely a custodian of the Agrarian Reform Fund (ARF), thus complementing the duties of the DAR with respect to agrarian reform. Both parties are therefore governed by the same facts, laws and jurisprudence covering just compensation cases. As held in *Tropical Homes, Inc. v. Judge Fortun*,^[16] in appellate proceedings, the reversal of the judgment on appeal is binding only on the parties to the appealed case and does not affect or inure to the benefit of those who did not join or were not parties to the appeal except where the rights and liabilities of the parties appealing are so interwoven and dependent on each other as to be inseparable, in which case a reversal as to one operates as a reversal to all.

Moreover, the RTC ratiocinated that even if both the DAR and the LBP filed separate appeals, their obligation is joint and several or solidary in nature. Hence, even if the LBP is not a party to the appeal made by the DAR, the former is necessarily affected by the judgments/orders made therein.

From this Order, on May 26, 2009, the LBP directly filed an urgent verified motion/application for the issuance of a TRO/preliminary injunction with this Court

to restrain or enjoin the RTC, its agents, representatives, or any person acting for and in its behalf from enforcing the writ of execution. The LBP mainly argued that the RTC had no jurisdiction to issue a writ of execution.

Issues

The issues to be resolved in this case are the following:

1. Whether the LBP is bound by the final and executory judgment against the DAR regarding the computation of just compensation and the award for temperate and nominal damages;
2. Whether the just compensation to be paid to Del Moral was properly computed; and
3. Whether the awards for temperate and nominal damages, as well as the legal interest imposed, are proper.

With the enactment of R.A. No. 9700,^[17] amending R.A. No. 6657, the LBP argues that the issue as to which formula should be followed in computing the just compensation is already mooted. R.A. No. 9700 amended Section 7 of R.A. No. 6657 to read: *"all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended."* Considering that the amount of just compensation for the acquisition of the subject landholdings is being challenged until now, the LBP claims that this case falls squarely within the ambit of the amendment.

Nonetheless, the LBP insists that the computation does not comply with the valuation factors under R.A. No. 6657, as implemented by DARA.O. No. 2 (2009), and the pertinent valuation guidelines. The amount of P216,104,385.00, or P2,098,522.57 per hectare, is wrong because it was determined based solely on the current fair market value of the subject landholdings. A cursory reading of the assailed rulings would show that no other factors, *i.e.*, acquisition cost, sworn valuation by the owner, mortgage value, payment of taxes by the owner, and the social and economic benefits contributed by the farmers, were considered. Thus, the LBP posits that the courts *a quo*, by only using the current fair market value to determine just compensation, disregarded the applicable laws and existing jurisprudence.

Moreover, the LBP argues, together with the DAR, that it had not committed any culpable act or omission amounting to bad faith in including the subject landholdings to the coverage of the agrarian reform program and in determining the just compensation to be paid as they were merely implementing the guidelines set by law. The LBP adds that there was no delay in the payment of just compensation as to warrant the award of damages because it had deposited in cash and in agrarian reform bonds the total amount of P342,917.81 as payment for just compensation. Finally, the LBP suggests that damages cannot be paid out of the ARF as this fund is answerable only for the payment of just compensation for the properties subject of agrarian reform.

On the other hand, Del Moral contends that the Court's ruling in G.R. No. 181183 can no longer be disturbed under the doctrine of law of the case because said judgment has attained finality.

Assuming that there could be a different judgment arrived at in this case, Del Moral maintains that the computation for just compensation is in accordance with law and jurisprudence. The LBP did not bother to present any contrary evidence regarding the current market value of the subject landholdings. It was only Del Moral who presented such evidence. Hence, Del Moral concludes that the value of the subject landholdings is already incontrovertible and conclusive.

The Court's Ruling

For a claim of *res judicata* to prosper, the following requisites must concur: (1) there must be a final judgment or order; (2) the court rendering it must have jurisdiction over the subject matter and the parties; (3) it must be a judgment or order on the merits; and (4) there must be, between the two cases, identity of parties, subject matter, and causes of action.^[18]

The doctrine of *res judicata* has two aspects, to wit: (1) the effect of a judgment as bar to the prosecution of a second action upon the same claim, demand or cause of action; and (2) preclude relitigation of a particular fact or issue in another action between the same parties on a different claim or cause of action.^[19]

Indeed, Agrarian Case No. U-1505 had been the subject of appeal twice before the CA. In both instances, the appeal was dismissed.

The first was on October 30, 2007 in CA-G.R. SP No. 98373 filed by the DAR. The decision in part reads:

In resolving such controversy in the *Lubrica* case, the Supreme Court made [mention] of the ruling enunciated in *Land Bank of the Philippines v. Natividad* which reiterated the ruling in *Office of the President v. Court of Appeals*, which finally settled that the expropriation of the landholdings did not take place on the effectivity of PD 27 on October 21, 1972, but that seizure would take effect on the payment of just compensation judicially determined.

The Supreme Court also stated in *Lubrica* case, *supra*, that the expropriation proceeding was initiated under PO 27 but the agrarian reform process is still incomplete considering that the just compensation to be paid has yet to be settled, and considering the passage of RA No. 6657 before the completion of the process, the just compensation should be determined and the process concluded under the said law; that RA No. 6657 is the applicable law, with PD No. 27 and EO 228 having only suppletory application. The very didactic ruling in *Natividad* case, *supra*, that was cited in the *Lubrica* case, *supra*, is to the effect that since 30 years had passed and petitioners therein had yet to be benefitted (sic) from it, while the farmer-beneficiaries have already been harvesting its produce for the longest time, are events which rendered the applicability of PD No. 27 inequitable. It is worthy to note that in the instant case 35 long years has since passed and still the Respondent has not been given the amount it deserves to receive in exchange for the 102.9793 hectares expropriated by the government.

To date, the Supreme Court's very explicit, exhaustive and comprehensive discussion on just compensation in *Lubrica* case is the most recent and remains the controlling case in point. Perforce, We are